

# INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL

## 2011-2012 Performance Analysis

### *Core Question 2: Is the organization effective and well-run?*

| 2.1. Is the school in sound fiscal health? |   |
|--|---|
| STANDARD                                   | The school presents significant concerns in no more than <u>one</u> of the following areas: a) its state financial audits (e.g., presence of “significant findings”); b) its financial staffing and systems; c) its success in achieving a balanced budget over the past three years; d) the adequacy of its projections of revenues and expenses for the next three years; e) its fulfillment of financial reporting requirements under Sections 10 and 17 of the charter agreement. In addition, if the school presents significant concerns in one area, it has a credible plan for addressing the concern that has been approved by the Mayor’s Office. |

2011-12 Performance: **Approaching Standard**

#### **A) The School’s Financial Audits (e.g. presence of “significant findings”)**

There were no significant findings in the school’s financials. The auditors, Fitzgerald & Isaac, stated “In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indianapolis Lighthouse Charter Schools as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.”

The auditor’s report was a comparative report on the two fiscal years ending June 30, 2012 and 2011. For both years reported, Indianapolis Lighthouse Charter School (ILCS) did not have any material weaknesses. However the auditor did report a “significant deficiency that was not considered a material weakness” on the A-133 report on compliance and internal controls for major federal programs that were tested. The deficiency was a result of errors in determining eligibility in the Federal Child Nutrition Program. The errors were present only in fiscal year June 30, 2011 and not present in June 30, 2012. The accounting firm completing the audit recommended that a methodical process be implemented for determination and documentation of eligibility. It is important to note that while this deficiency was included in the 2011-2012 comparative audit report, it was due to discrepancies that occurred in the 2010-11 school year.

When the school discovered this error in the fall of 2010, they acted quickly and decisively to resolve the issue. The actions that were taken included changes to staff, immediate training, and corrections to the meal applications. New staff corrected the errors to the satisfaction of the Department of Education within the 2010-2011 school year so that no funds were returned.

The auditors indicated that there were no findings of errors in eligibility status assigned to students for the 2011-2012 school year. Therefore, our office has no concern that this will be a challenge in the future.

**B) The School's Financial Staffing and Systems**

The school has established adequate staffing and systems for managing its finances. Their staff includes Bob Stearns, the Vice President of Finance at the Lighthouse Academies and Certified Public Accountant, who works with the school's local staff including Sarah Pies and the school leaders to manage the finances and operations. In addition to the school leaders and the Vice President of Finance, the school's finance team includes the Business Manager, Controller and Staff Accountant. The school follows established internal controls documented in the Lighthouse Academies' School Procedure Manual and the Indiana State Board of Accounts Charter School Manual.

**C) The School's Success in Achieving a Balanced Budget Over the Past Three Years**

This indicator is designed to measure the ability of the school to maintain a balanced budget for each of the last 3 years. The table below shows school's revenue over expense and ending balance for each of the years.

| <b>Year</b> | <b>Revenue Over Expense</b> | <b>Ending Balance</b> |
|-------------|-----------------------------|-----------------------|
| FY 12       | \$182,071                   | -\$357,871            |
| FY 11       | -\$274,369                  | -\$539,942            |
| FY 10       | \$171,935                   | -\$220,223            |

Though the school did not have a balanced budget for each of the last three years, it did have positive net income of \$79,637 over the three year. period but losses from previous years have not been completely eliminated. The data presented in the audit is trending in the right direction and indicates that the school is working to resolve their challenges and pay down their debt.

The auditors also commented in the risks and uncertainties about this issue. "Since inception, the School incurred excesses of expenses over revenue, which produced a net asset deficiency of \$539,942 as June 30, 2011. In 2012, revenue exceeded expenses of \$182,071. Management continues to monitor this situation and believes that they will be able to eliminate this deficiency through measures to increase enrollment and stabilize costs. Until such time, adequate sources of lending have been obtained to enable the School to continue to operate."

The school has a deficit reduction plan in place by budgeting surpluses and accounting for depreciation. It continues to work towards adhering to their budget and meeting enrollment and making adjustments to the budget that are necessary to eliminate the deficit. The school projects

to completely eliminate the deficit and start accumulating reserves by the end of fiscal year June 30, 2014.

**D) The Adequacy of the School's Projections of Revenues for the Next Three Years**

The school submitted robust budget projections for the next 3 years. The estimated net income and ending balances for the coming years can be seen below.

| <b>Year</b> | <b>Net Income</b> | <b>Ending Balance</b> |
|-------------|-------------------|-----------------------|
| FY '13      | \$190,167         | -\$167,704            |
| FY '14      | \$205,145         | \$37,441              |
| FY '15      | \$247,188         | \$284,629             |

While the projections for FY '14 and FY '15 are encouraging, given the expectation of a negative ending balance in FY '13, our office will continue to work closely with the school to ensure it is adhering to their budget and generating a positive net income for the year. The school's audit also revealed a long-term debt of \$3.1M that comes due in FY '14. While this number may seem concerning given the ending balances expected for FY '13 and FY '14, the school has explained that this debt is related to the purchase of the building in 2007 and it is common for lenders to extend a term to charter schools no longer than 5 to 7 years. The school has hired a consultant to manage the refinancing. The school desires to replace the maturing note with a 30 year bond and use part of the proceeds to make major improvements to the building and the HVAC system. The Mayor's Office will continue to monitor the school in this process to ensure that the school is able to meet this pending obligation.

**E) The School's Fulfillment of Financial Reporting Requirements under Sections 10 and 17 of the Charter Agreement**

The school has fulfilled financial reporting requirements under Sections 10 and 17 of the charter agreement.

| <b>2.2. Are the school's student enrollment, attendance, and retention rates strong?</b> |   |
|--|---|
| <b>STANDARD</b>  | <b>The school is consistently fully enrolled. Student attendance and retention rates are generally at or above the school's agreed-upon target rates.</b> |

2011-12 Performance: **Approaching Standard**

Indianapolis Lighthouse Charter School (ILCS) did not meet its enrollment target for 2011-12. The following chart displays the school's target enrollment compared with its official fall enrollment, as reported by the IDOE.

| Year    | Target Enrollment | Fall Enrollment | Percent Below |
|---------|-------------------|-----------------|---------------|
| 2011-12 | 665               | 638             | 4.1%          |

**Source:** Official fall enrollment figures from the IDOE. Target enrollment is the maximum capacity from the school's charter agreement with the Mayor's Office, submitted by the school.

The 2011-12 attendance rate at ILCS was below the average of the state and the county.

|                                    | ILCS   | MC     | IN    |
|------------------------------------|--------|--------|-------|
| <b>2011-12<br/>Attendance rate</b> | 93.65% | 96.06% | 96.1% |

No targets have been established for student retention rates for ILCS.

Based on the 2011-12 performance, ILCS is approaching the Mayor's Office standard for this indicator because they were not fully enrolled and had an attendance rate slightly lower than that of both the county and the state.

| <b>2.3. Is the school's Board active and competent in its oversight?</b> |   |
|--|---|
| <b>STANDARD</b>  | The school's board a) contributes a broad skill set and is reflective of the community; b) is knowledgeable about the school and able to make decisions in a timely fashion; c) has policies and by-laws that are consistently followed, regularly reviewed, and include clearly defined roles and responsibilities for members; d) consistently achieves quorum and adheres to Indiana's Open Door Law; e) records meeting minutes that are thorough, accurate and transparent; f) regularly conducts a formal evaluation of the school against established academic, financial and operational performance goals; and g) has a written plan for the succession of leadership. |

### 2011-2012 Performance: **Does Not Meet Standard**

In 2011-12, Lighthouse Academies of Indiana (LAI) served as the governing Board to all five Indiana Lighthouse schools, including Indianapolis Lighthouse Charter School. By-laws were created in 2009-10 to form an LLC Board, to serve as a local Board and provide governance to the two Indianapolis LAI charters. The LLC Board (local Board) was designed to interface with the LAI Board by having two representatives who would also serve on the LAI Board. However, the charter for ILCS is held by the LAI Board. In 2011-2012, the LLC Board was in place for its second year.

Board membership was relatively stable in 2011-12, but two of the seven members resigned. Additionally, two of the seven LAI Board members were also employees of Lighthouse Academies, the school's Charter Management Organization (CMO). This relationship leaves the board structurally dependent upon and connected to the CMO, which the Board was tasked with

overseeing, due to non-Lighthouse Academies employees not making meetings in person consistently. Nonetheless, the LAI Board was relatively active in its oversight of ILCS finances, student performance, facilities, and technology.

In terms of the LLC Board's minutes, quorum was consistently achieved and roles and responsibilities were clearly delineated, however the board lost two of its members throughout the year and was still in the process of establishing an understanding and knowledge of the school, also of basic governing practices to provide clear, consistent, and competent stewardship. The LLC Board's responsibilities included advising the LAI Board regarding the school's budget, recommendation of principal candidate, personnel decisions, performance review of the principal, and oversight of the curriculum. The LLC Board struggled to develop its knowledge of governing practice, significantly impairing competent oversight of the school. The LLC Board, although having clearly designated roles and responsibilities, has yet to achieve stable and well balanced membership expertise which can provide clear, consistent, and competent oversight of the school. Accordingly, the school does not meet the Mayor's standard for this indicator for 2011-12.

| <b>2.4. Is there a high level of parent satisfaction with the school?</b> |  |
|---|--|
| <b>STANDARD</b>   | <b>More than 80% but less than 90% of parents surveyed indicate that they are satisfied overall with the school.</b> |

**2011-12 Performance: Meets Standard**

In the spring of each year, researchers administered anonymous surveys to parents of students enrolled at Mayor-sponsored charter schools. In 2011-12, 85% of Indianapolis Lighthouse Charter School parents reported overall satisfaction with the school. According to the results of the data collected, the school meets Mayor's Office standard for this indicator for the 2011-12 academic year.

| <b>2.5. Is the school administration strong in its academic and organizational leadership?</b> |  |
|--|--|
| <b>STANDARD</b>  | <b>The school's administration a) has sufficient academic and organizational expertise; b) has been sufficiently stable over time; c) has clearly defined roles and responsibilities among administrators; d) actively engages in a process of continuous improvement and mid-course corrections; e) has established high expectations for all stakeholders – staff, students, and parents; f) has organized operations and secured necessary resources to effectively implement the mission of the school; g) ensures the school achieves strong academic and operational performance; and h) has developed a plan for succession for administrators and staff.</b> |

**2011-12 Performance: Meets Standard**

In 2011-12, the administration overall at Indianapolis Lighthouse Charter School was strong in its academic and business expertise. The administration included a principal for K-8, a principal

for grades 9-11 (growing up to grade 12), and instructional leader, as well as a Regional Director (RD) employed by the school's Charter Management Organization. The RD was an experienced attorney, but had limited experience in education administration and school leadership.

The RD was charged with providing oversight, training, and supports for the school's administration. The RD was also integral in monitoring continuous improvement, appropriate implementation of the Lighthouse Academies curriculum, implementing a culture of high expectations, achievement of strong academic and operational performance, as well as overseeing how well school leaders organize operations and resources to implement the school's arts-infused, college preparatory mission. Review of board minutes and school leader reports reveal school leader stability, active engagement in a process of improvement, high expectations for all stakeholders, and active pursuit of strong academic performance. It should be noted however that the K-8 principal resigned at the conclusion of the 2011-2012 academic year.

However, high turnover existed at the RD position which affected active pursuit of operational performance and development of a leadership succession plan. Roles and responsibilities between the RD, who was an employee of the Charter Management Organization and the school principals and instructional leader, appeared to be clearly defined and understood by all stakeholders; however, it was unclear if the RD was effective in his role. The RD was fired by the CMO after several months and a new RD was hired in the school's spring semester,—marking three RD's being employed by the CMO in less than one academic year. The new RD has previous experience in teaching and education administration; however it was too soon to determine her impact on ILCS's administrative performance. With turnover at the RD position and the loss of a successful K-8 principal, who both play a significant role in the school's academic and operational growth, the school's Board was and will be challenged with staffing key positions within ILCS's administrative structure. Nonetheless, the school was stable in leadership with the administrative team placing high expectation of all stakeholders and therefore, meets the Mayor's standard for this indicator for 2011-12.

| 2.6. Is the school meeting its school-specific organizational and management performance goals? |   |
|---|---|
| Meets standard  | School has clearly met its school-specific organizational goal. |

**Not Evaluated.** Indianapolis Lighthouse Charter School did not have school-specific organizational and management performance goals to be evaluated for 2011-12.